



ASEAN INTEGRATION IN SERVICES



one vision
one identity
one community



ASEAN Integration in Services

The ASEAN Secretariat
Jakarta

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A. Introduction

“Free flow of trade in services is one of the important elements in realising ASEAN Economic Community, where there will be substantially no restriction to ASEAN services suppliers in providing services and in establishing companies across national borders within the region, subject to domestic regulations.” (ASEAN Economic Community Blueprint, November 2007)

Trade in services is one of the core fundamentals in ASEAN economic integration. The initiative formally started in 1995 through signing of the **ASEAN Framework Agreement on Services (AFAS)**, which was two years after ASEAN launched the initiative to work towards ASEAN Free Trade Area (AFTA) for trade in goods through the **Agreement on Common Effective Preferential Tariff Scheme for the AFTA (CEPT)** signed in 1993. AFAS provides the mandate for progressive negotiations on the liberalisation of trade in services, recognising that intra-ASEAN services liberalisation will strengthen the flow of trade and investment in the services sector among ASEAN Member States, and will eventually contribute to overall economic integration in the region.

AFAS is based closely on the provisions of the **General Agreement on Trade in Services (GATS)**, the first multilateral agreement on services which was concluded under the **Uruguay Round** of multilateral trade negotiations¹ in 1994. Subsequent decisions were made to further strengthen the services liberalisation in ASEAN, while remaining consistent with the GATS provisions.

Free flow of services is an essential element in building the **ASEAN Economic Community (AEC)**, as envisaged to be realised in year 2020 by the ASEAN Heads of States/Governments through the **Declaration of Bali Concord II**² issued in 2003. The subsequent decision at the 11th ASEAN Summit in December 2005 to accelerate the liberalisation of trade in services by 2015, re-affirms the seriousness of ASEAN to further integrate its services sector and deepen its economic integration process.³ In November 2007, ASEAN economic integration was taken another step further when Heads of State/Government, at the 13th ASEAN Summit on 20 November 2007 in Singapore, adopted the **ASEAN Economic Community (AEC) Blueprint**⁴.

The AEC Blueprint aims to transform ASEAN into a single market and production base, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy. In the context

¹ Compare this with the General Agreement on Tariffs and Trade (GATT) signed in 1947, which is the first multilateral agreement on trade in goods. In addition to the GATS, the Uruguay Round also resulted in the establishment of World Trade Organisation (WTO).

² Declaration of ASEAN Concord II done at the 9th ASEAN Summit held on 7 October 2003 in Bali, Indonesia (hence commonly referred to as “Bali Concord II”).

³ Subsequently, at the 12th ASEAN Summit in January 2007 ASEAN Heads of States/Governments accelerated the establishment of the ASEAN Community to 2015 in all three pillars of the ASEAN Community i.e. the Political Security Community (APSC), ASEAN Economic Community (AEC), and ASEAN Socio-Cultural Community (ASCC).

⁴ <http://www.asean.org/archive/5187-10.pdf>

of trade in services, the Blueprint provides essential mandate for the subsequent liberalisation of trade in services in ASEAN, through specific actions, targets, and timelines to achieve free flow of services in ASEAN as part of the goal of the integrated single market and production base.

This publication marks the 4th edition of ASEAN Integration in Services. It aims to provide not only updated information on the latest ASEAN efforts and achievements in regional trade in services integration; but also with more details as data and information become more available. The following sections provide an overview of trade in services in ASEAN, the institutional processes in ASEAN for services liberalisation, the status and outcomes of the liberalisation under AFAS, development of initiatives related to Movement of Natural Persons, and latest update of ASEAN Free Trade Agreements involving Trade in Services.

B. International Integration of Trade in Services

B1. The Importance of Services in Economic Development

Services consist of diverse activities ranging from basic services such as healthcare, education and water-provision to infrastructure services such as telecommunications, transport and energy services. Services feed into the business activities in all sectors including manufacturing and primary economic activities such as agriculture and mining. Services themselves are likewise final economic output in their own right. The quality and efficiency of services provision have significant impact on effectiveness of infrastructure building and efficiency of trade facilitation, hence overall competitiveness, of any economy.

The availability and quality of some service sectors, such as healthcare and education, are directly affecting the achievement of social and development goals. Likewise, the development of various services sectors carries social impacts such as employment, poverty reduction, human development, gender equality, and so on.

Services are increasingly important components of economic output in any country. While agriculture and manufacturing remain very important, services continue to gain importance and share in any country's **Gross Domestic Product (GDP)**.

With rapid advances in **Information and Communication Technology (ICT)** since the 1990s, as well as increased efficiency for transport of goods and people across national boundaries, the variety of sectors and volume of services provided across national boundaries are rising fast. More and more people are traveling abroad to consume tourism, education and medical services, as well as to supply services ranging from construction to software development. Likewise, more and more business transactions and delivery of services projects such as engineering design and financial market consultancy are undertaken through electronic channel such as internet and other telecommunication network.

Not surprisingly, therefore, trade and **Foreign Direct Investment (FDI)** in services have grown faster than in goods in the past few decades.

B2. The Case for International Integration in Trade in Services

Despite its growing importance, international transactions in services continue to be impeded by policy barriers imposed by governments across the globe, especially to foreign investment and the movement of service-providing individuals.

Liberalisation of impediments to international trade in services is critical in many respects. It generates higher export earnings and employments for liberalising

countries and also promotes higher quantity and quality of services for them. On a longer term, liberalisation enhances competition and investment in the service sectors while ensuring greater regulatory transparency. Notwithstanding, challenges do exist in promoting genuine competition, building the regulatory institutions needed to remedy market failures, appropriately sequencing service-sector reforms, and establishing mechanisms to promote the availability of essential services especially among the poor.

While governments can initiate services reforms unilaterally, international engagement can facilitate the process. International negotiations for liberalisation of services trade often catalyse the market opening and regulatory reform among the participating countries. In parallel to this process, typically there is also international regulatory cooperation intended to help countries (particularly developing countries) to strengthen and improve their service sectors' regulation and establish the implementing institutions. Indeed, international integration in trade in services plays an important role in overall international economic integration.

B3. International Efforts in Integration in Services

Multilateral agreement for trade in goods has existed since 1947 through an agreement known as the **General Agreement on Tariffs and Trade (GATT)** and spurred the growth of international trade throughout the world. It was only after almost half a century later, trade in services were integrated into the multilateral trading system through the General Agreement on Trade in Services (GATS) signed in 1994 and come into force on 1 January 1995. GATS was negotiated and concluded under the Uruguay Round of multilateral trade negotiations which also resulted in the establishment of **World Trade Organisation (WTO)**.

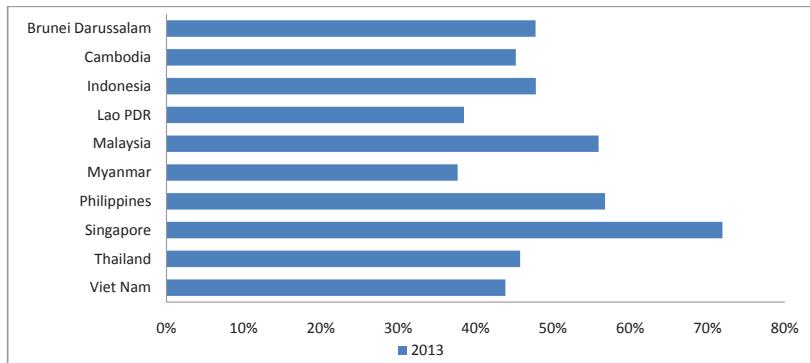
GATS lay the framework for international obligations and disciplines on regulating trade in services. It binds the commitment of the WTO members to a certain degree of market opening in various services sectors and subsectors, as stipulated in their respective so-called schedules of commitments. It also defines standards of transparency (such as the obligation for WTO members to publish all measures falling under the agreement) and several other disciplines on good governance for the services sectors.

International efforts to further integration in services do not stop there. In fact, further multilateral services negotiations under the GATS itself had started since November 2001 under the **Doha Development Agenda (DDA)**, a process which is to-date still continuing. In addition to the GATS, international agreements to further liberalise trade in services proliferate across various parts of the world, whether at bilateral, regional, or multilateral levels. Generally, these services agreements are negotiated as part of negotiation for a broad economic agreement between two or more countries, mostly referred to as **Free Trade Agreement (FTA)**. Trend for FTAs has mainly been intensified since the 2000s.

C.Services Sector in ASEAN Economy

Services is a sizeable and continuously expanding component of **Gross Domestic Product** (GDP) in ASEAN economies. As of 2013, an average ASEAN Member State now generates about 45% to 55% of its GDP from the services sectors, as compared to the agriculture and industrial sectors. Even the lowest among ASEAN Member States, Myanmar, now generates 38% of its output from the services sector, while Singapore as the highest among ASEAN Member States generates 72%.

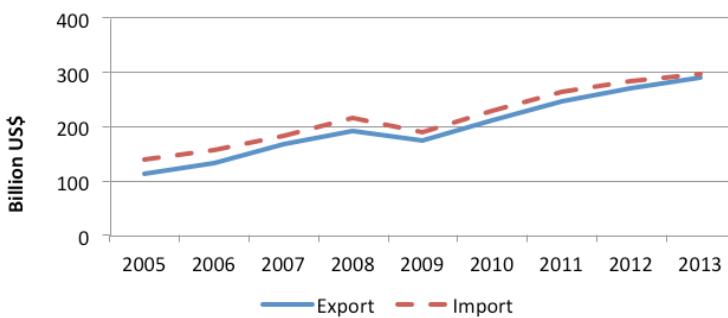
Chart 1
Services as Percentage of GDP, 2013



(Source: ASEANStats, 2015)

In terms of trade, ASEAN's export of services grew from US\$ 113.6 billion in 2005 to US\$ 291.9 billion in 2013 or an average of 12.5% annual growth. Within the same period, ASEAN's import of services increased from US\$ 140.7 billion to US\$ 298.6 billion or an average of 9.9% annual growth. Note that there was a decrease of trade volume around 2008-2009 affected by the global economic downturn around that period.

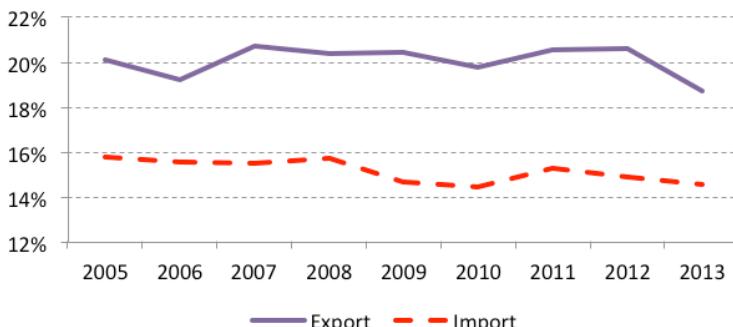
Chart 2
ASEAN's Export and Import of Services



(Source: ASEANStats, 2015)

During this 2007-2013 period, ASEAN Member States exported around 18% to 20% of their services to other Member States, and imported around 14% to 15% of their services from other Member States.

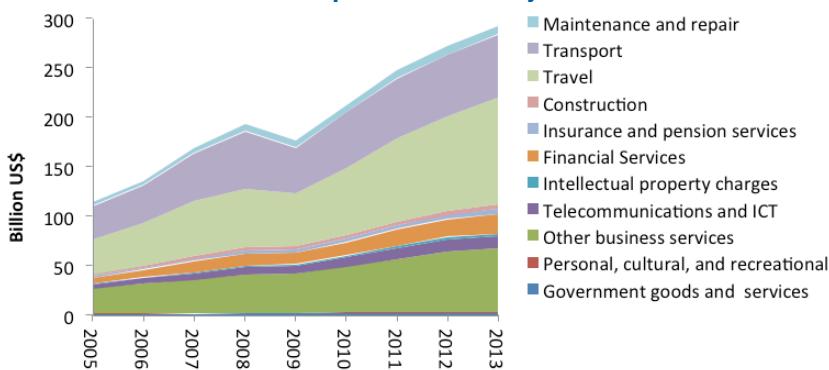
Chart 3
Intra-ASEAN Trade in Services



(Source: ASEANstats, 2014)

In terms of the 11 services sectors classified according to the BPM5 standard⁵, the most significant sectors of ASEAN export and import of services are transport, travel and other business services⁶. As of 2013, ASEAN's export of transport, travel and other business services comprised 21.8%, 37.1% and 22.1% of total export, respectively. For the same year, ASEAN's import of these services comprised 35.2%, 20.9% and 20.8% of total import, respectively.

Chart 4
ASEAN Export of Services by Sectors

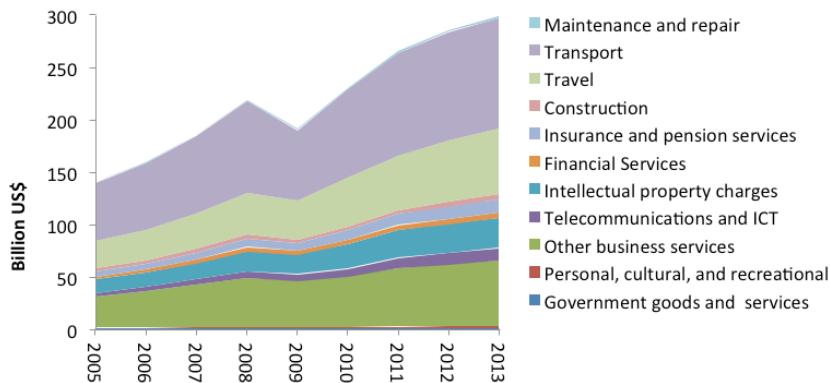


(Source: ASEANStats, 2015)

⁵ BPM5 refers to the fifth edition of the IMF Balance of Payments Manual.

⁶ Other business services include merchanting and trade-related services; operational leasing; and business professional and technical services (such as legal, accounting, advertising, and so on).

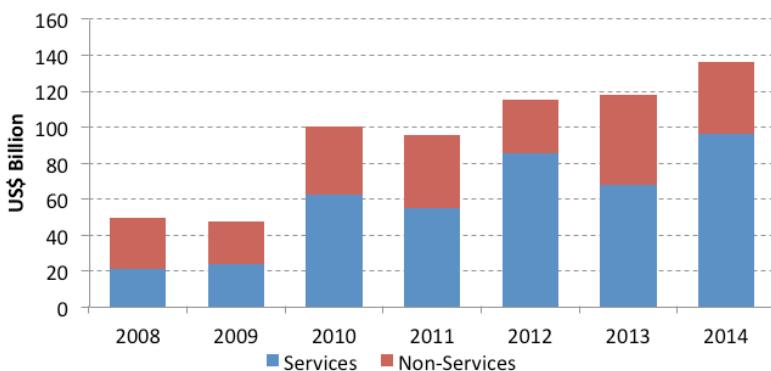
Chart 5
ASEAN Import of Services by Sectors



(Source: ASEANStats, 2015)

Services sectors also attracted substantial amount of Foreign Direct Investments (FDI) in the last decade reaching about 40-50% of total FDI flow into ASEAN since 2010.

Chart 6
FDI Inflow to ASEAN by Sector



(Source: ASEANStats, 2015)

D.Liberalisation of Trade in Services in ASEAN

D.1. ASEAN Framework Agreement on Services

Following the signing of the **General Agreement on Trade in Services** (GATS) of the **World Trade Organization** (WTO) in 1994, the **ASEAN Economic Ministers (AEM)** signed the ASEAN Framework Agreement on Services (AFAS)⁷ on 15 December 1995 during the 5th ASEAN Summit in Bangkok, Thailand. The signing of AFAS was a gesture of recognition of ASEAN on the growing importance of services to its economy and the need to enhance and strengthen trade in services within ASEAN.

AFAS aims to:

- Enhance cooperation in services amongst Member States in order to improve the efficiency and competitiveness, diversify production capacity, and supply and distribution of services of their service suppliers within and outside ASEAN.
- Eliminate substantially restrictions to trade in services amongst Member States.
- Liberalise trade in services by expanding the depth and scope of liberalisation beyond those undertaken by Member States under the GATS with the aim to realising a free trade area in services.

AFAS provides the legal framework for setting out the broad parameters that enables Member States to progressively improve market access and provide national treatment to services suppliers of ASEAN Member States.⁸ All AFAS rules are consistent with international rules for trade in services as provided for under the GATS⁹.

As mentioned above, one of the objectives of AFAS is to liberalise services trade towards achieving liberalisation beyond Member States' commitments under GATS. This is often referred to as the **GATS-plus** principle. It means that ASEAN Member States shall schedule commitments under AFAS that go beyond their GATS commitments or offer new service sectors/sub-sectors that have not been scheduled under GATS¹⁰. With the adoption of the ASEAN Economic Community (AEC) Blueprint in 2007, ASEAN stepped up its effort to further liberalise towards the goal of free flow of services, according to the bi-annual targets and thresholds as laid out under the AEC Blueprint and additional parameters set forth by the AEM.

⁷ <http://www.asean.org/news/item/asean-framework-agreement-on-services>

⁸ See [Appendix 2](#) for technical explanations of "Market Access" and "National Treatment".

⁹ http://www.wto.org/english/docs_e/legal_e/26-gats.doc

¹⁰ When AFAS was signed in 1995, Cambodia, Lao PDR, and Myanmar had not joined ASEAN, while Cambodia, Lao PDR, and Viet Nam were not WTO Members. All are now ASEAN members and have acceded to the WTO. WTO commitments have since been integrated into AFAS schedules. For non-WTO Members, commitments scheduled are expected to be no less favourable than their existing services regime.

D.2. Institutional Mechanism

The ASEAN Economic Ministers Meeting (AEM) is the Ministerial body overseeing the implementation of AFAS and liberalisation of services sectors, except for financial services which is under the **ASEAN Finance Ministers and Central Bank Governors Meeting (AFMGM)**, and air transport services which is under the **ASEAN Transport Ministers Meeting (ATM)**.

At officials' level, the policy work of trade in services liberalisation is currently undertaken by four sectoral bodies:

- The **Coordinating Committee on Services (CCS)** which reports to the ASEAN Economic Ministers through the Senior Economic Officials Meeting (SEOM);
- The **Coordinating Committee on Investment (CCI)** which reports to the ASEAN Economic Ministers – ASEAN Investment Area Council (AEM-AIA Council) through the Senior Economic Officials Meeting (SEOM);
- The **Working Committee on ASEAN Financial Services Liberalisation under the AFAS (WC-FSL)** which reports to the ASEAN Finance Ministers and Central Bank Governors Meeting (AFMGM) through the ASEAN Finance and Central Bank Deputies Meeting (AFCDCM); and
- The **Air Transport Sectoral Negotiation (ATSN)** of the Air Transport Working Group (ATWG) which reports to the ASEAN Transport Ministers (ATM) through the Senior Transport Officials' Meeting (STOM).

D.2.1 Coordinating Committee on Services (CCS)

The **Coordinating Committee on Services (CCS)** was established in January 1996, subsequent to the signing of the ASEAN Framework Agreement on Services (AFAS). The CCS comprises officials responsible for coordinating liberalisation in trade in services and are generally represented by the officials from ministry of trade/commerce or economic planning agency.

During its earlier time, CCS was tasked to undertake services integration initiatives under the AFAS with emphasis on 7 priority sectors: air transport, business services, construction, financial services, maritime transport, telecommunications, and tourism (Bangkok Declaration, 1995)¹¹.

Following the decision of the Informal AEM Meeting in June 1999, there was a realignment of responsibilities, with the CCS mandated to undertake work on the integration of all services sectors, except for air transport, financial services¹²; and since 2001, also excludes services incidental to

¹¹ The Bangkok Declaration made at the 5th ASEAN Summit that also witnessed the signing of AFAS.

¹² The Informal AEM meeting held in June 1999 in Auckland, New Zealand, agreed that work in services sectors that fall under the purview of other Ministerial Bodies shall be led by these respective Ministerial Bodies, and areas not covered by any existing ASEAN bodies would continue to be under the purview of the CCS/SEOM/AEM. However, overall coordination of liberalisation in services would still be under the purview of the AEM/SEOM. At the 33rd AEM meeting held in September 2001 in Ha Noi, Viet Nam, it was noted that the Tourism Sectoral Working Group, Maritime Transport Sectoral Working Group, and the Telecommunication Negotiation Group indicated readiness to return to CCS for subsequent rounds of negotiations.

manufacturing, agriculture, fishery, forestry, and mining and quarrying. These services sectors were transferred to other ASEAN bodies as listed above.

There have been six sectoral working groups established under the CCS process, covering business services, construction, healthcare, logistics and transport services, telecommunication and IT services, and tourism, plus a caucus on education services. At present, only the business services, healthcare, logistics and transport services, and telecommunication and IT services sectoral working groups actively meet back-to-back with the CCS. Notwithstanding these formalised arrangements, ASEAN Member States shall undertake integration activities and/or make commitments in the whole range of the services sectors.

D.2.2 Coordinating Committee on Investment (CCI)

The Coordinating Committee on Investment (CCI) was established at the inaugural meeting of the **ASEAN Investment Area (AIA) Council** in October 1998, and tasked to assist the Council in implementing the AIA Agreement¹³. Through a subsequent Protocol to Amend the Framework Agreement on the ASEAN Investment Area¹⁴ signed in 2001, the portfolio on the economic integration of services incidental to manufacturing, agriculture, fishery, forestry, and mining and quarrying was transferred to the AIA process (i.e. the CCI) in order to ensure coherence with CCI's existing work portfolio in investment in the manufacturing, agriculture, fishery, forestry, and mining and quarrying sectors.

In 2008, ASEAN concluded the **ASEAN Comprehensive Investment Agreement (ACIA)**¹⁵ which consolidated the AIA and the 1987 ASEAN Agreement for the Promotion and Protection of Investments and its protocols. Under the ACIA, investment in all sectors, including these services sectors, would be deemed liberalised unless reservations are scheduled in respect of national treatment and senior management and board of directors in these sectors.

D.2.3. Working Committee on ASEAN Financial Services Liberalisation under the ASEAN Framework Agreement on Services (WC-FSL)

The Working Committee on ASEAN Financial Services Liberalisation under the ASEAN Framework Agreement on Services (WC-FSL) was established at the 4th ASEAN Finance Ministers Meeting (AFMM) held on 25-26 March 2000 in Bandar Seri Begawan, Brunei Darussalam. It was known by its abbreviated name of the "WC-AFAS" until the decision of its 12th Meeting held

¹³ [http://www.asean.org/images/2012/Economic/AIA/Agreement/Framework%20Agreement%20on%20the%20ASEAN%20Investment%20Area%20\(AIA\)%201998.pdf](http://www.asean.org/images/2012/Economic/AIA/Agreement/Framework%20Agreement%20on%20the%20ASEAN%20Investment%20Area%20(AIA)%201998.pdf)

¹⁴ <http://www.asean.org/images/2012/Economic/AIA/Agreement/Protocol%20to%20Amend%20the%20Framework%20Agreement%20on%20the%20ASEAN.pdf>

¹⁵ [http://www.asean.org/images/2012/Economic/AIA/Agreement/ASEAN%20Comprehensive%20Investment%20Agreement%20\(ACIA\)%202012.pdf](http://www.asean.org/images/2012/Economic/AIA/Agreement/ASEAN%20Comprehensive%20Investment%20Agreement%20(ACIA)%202012.pdf)

on 26 February 2007 in Pattaya, Thailand, to adopt the abbreviation “WC-FSL/AFAS” and subsequently referred to in short as “WC-FSL”. WC-FSL reported to the ASEAN Finance Ministers Meeting (AFMM) through the ASEAN Finance and Central Bank Deputies Meeting (AFDM). Following the decisions of the ASEAN Finance Ministers, Central Bank Governors, and their Deputies at their meetings on 21 and 19 March 2015 in Kuala Lumpur, Malaysia to adopt new names; WC-FSL now reports to the ASEAN Finance Ministers and Central Bank Governors Meeting (AFMGM) through the ASEAN Finance and Central Bank Deputies Meeting (AFCDM).

D.2.4. Air Transport Sectoral Negotiations (ATSN)

The Air Transport Sectoral Negotiations (ATSN) is a specific negotiating group under the **Air Transport Working Group (ATWG)** which undertakes work on the liberalisation of air transport services under AFAS. It was established in January 2000 following the instructions of the 5th **ASEAN Transport Ministers (ATM)** Meeting in September 1999 in Ha Noi, Viet Nam, which tasked the **Senior Transport Officials Meeting (STOM)** process to include AFAS transport services liberalisation in their work programme through the relevant Working Groups.¹⁶

D.3. AFAS Liberalisation under the ASEAN Economic Ministers (AEM)

AFAS Article IV requires Member States to enter into negotiations on measures affecting trade in specific service sectors, and the results shall be set out in schedules of commitments. Initially, the negotiations were organised in rounds of negotiations, each round lasted for three-year. Approach and parameter for liberalisation were set for each respective round. After four rounds, liberalisation was undertaken based on a set of targets and timelines as stipulated in the ASEAN Economic Community (AEC) Blueprint (see section D.3.2 below for details) as well as other applicable decisions of the AEM.

The results of negotiations are formalised as Packages of Schedules of Commitments under the AFAS, which provide for details of liberalisation of the services sub-sectors where commitments are made. The AFAS Packages are implemented via Protocols signed by the AEM. ASEAN has so far concluded nine packages of commitments in a wide range of services sectors under the purview of ASEAN Economic Ministers (AEM). These packages are implemented via Protocols signed by the AEM and provide details of liberalisation of the services sub-sectors where commitments are made.¹⁷ These 8 packages are as follows:

¹⁶ Please cross-refer to the decision of the Informal AEM meeting in June 1999 explained above that works in services sectors that fall under the purview of other Ministerial Bodies shall be led by these respective Ministerial Bodies, and the subsequent return of Maritime Transport negotiations back to CCS in 2001.

¹⁷ See Appendix 2 for technical explanations on the schedules of services commitments.

Round 1 (1996 – 1998)

- 1st Package, signed on 15 December 1997 in Kuala Lumpur, Malaysia
- 2nd Package, signed on 16 December 1998 in Ha Noi, Viet Nam

Round 2 (1999 – 2001)

- 3rd Package, signed by 31 December 2001 (Ad-Referendum Signing)

Round 3 (2002 – 2004)

- 4th Package, signed on 3 September 2004 in Jakarta, Indonesia

Round 4 (2005 – 2006)

- 5th Package, signed on 8 December 2006 in Cebu, the Philippines

- 6th Package, signed on 19 November 2007 in Singapore

2007 – 2015

- 7th Package, signed on 26 February 2009 in Cha-am, Thailand

- 8th Package, signed on 28 October 2010 in Ha Noi, Viet Nam

- 9th Package, signed by 27 November 2015 in Makati City, the Philippines

The compilation of AFAS services commitments of each ASEAN Member State can be downloaded from the ASEAN Secretariat website¹⁸. Each succeeding Package contributes to progressively deeper level and wider coverage of ASEAN Member States' commitment to substantially eliminate restrictions to trade in services among them. It should be noted that beginning from the 5th Package, all the GATS and previous AFAS commitments were consolidated into a single comprehensive schedule¹⁹ along with new and improved commitments made under this and subsequent packages.

D.3.1 Approach of Liberalisation under the AFAS Liberalisation First Round (1996–1998)

The Bangkok Declaration of the 5th ASEAN Summit in 1995 called for immediate commencement of the first round of negotiations starting 1 January 1996 to be concluded no later than 31 December 1998. The negotiations will give emphasis to financial services, maritime transport, telecommunications, air transport, tourism, construction, and business services. During this round, ASEAN adopted **Request and Offer Approach** for its services liberalisation similar to the approach undertaken under the GATS. ASEAN Member States exchanged information among them on each other's GATS commitments and services trade regime, and then request each other for further liberalisation in the above-listed sectors.

¹⁸ <http://www.asean.org/news/item/member-countries-horizontal-commitments-schedules-of-specific-commitments-and-the-list-of-most-favoured-nation-exemptions>

¹⁹ Excluding commitments made in financial services, air transport, and services incidental to manufacturing, agriculture, fishery, forestry, and mining and quarrying. Please cross-refer to section E above on the institutional mechanism.

Second Round (1999– 2001)

ASEAN adopted a **Common Sub-Sector Approach** in this round as per **Parameters to Guide Liberalisation in Trade in Services** endorsed by the 31st ASEAN Economic Ministers (AEM) at their 31st Meeting held on 30 September 1999 in Singapore, which stipulates that:

- In the short-term, the target will be for all Member States to make commitments in common sub-sectors. A common services sector/sub-sector is defined as a service sector/sub-sector in which four or more ASEAN Member States have made commitments under the GATS or previous AFAS packages.
- In the long-term, the target will be to achieve free flow of services in all services sectors and all modes of supply.

Under this approach, Member States were requested to schedule commitments in the identified common sub-sectors, which shall be extended to all other ASEAN Member States.

Third Round (2002–2004)

ASEAN adopted the **Modified Common Sub-Sector Approach** in this round. The approach is basically the same as the Common Sub-Sector Approach explained above, except that the threshold was made more rigorous to include sub-sectors where three (3) or more Member States had made commitments under the GATS and/or previous AFAS packages, instead of four or more Member States; thus increasing the number of sub-sectors to be liberalised.

During this period, ASEAN also came up with a new approach of **ASEAN Minus X Formula** for negotiating services liberalisation. Under this approach, two or more Member States may proceed to liberalise an agreed services sector/ sub-sector and without having to extend the concessions to non-participating Member States. Other Member States may join at a later stage or whenever they are ready to participate. This approach originated from the decision of the AEM Retreat held on 6 July 2002 in Genting Highlands, Malaysia. A set of parameters to implement this formula was subsequently formalised through a **Protocol to Amend the ASEAN Framework Agreement on Services**²⁰ signed by the AEM at their 35th Meeting held on 2 September 2003 in Phnom Penh, Cambodia. To-date, this approach only results in 2 agreements:

- Agreement between Lao PDR and Singapore on Education Services, signed on 9 December 2005 in Kuala Lumpur, Malaysia; and

²⁰ <http://www.asean.org/images/archive/AFAS Amendment Protocol.pdf>

- Agreement between Brunei Darussalam and Singapore on Telecommunication Services, signed on 10 September 2014 in Brunei Darussalam.

Fourth Round (2005–2007)

The fourth round of AFAS negotiations was even more progressive than previous rounds. It required Member States to schedule a number of subsectors from an agreed list of subsectors based on certain threshold levels, consisting of:

- Scheduling “**None**” for Modes 1 and 2 commitments²¹ i.e. there shall be no limitations on market access and national treatment in these two modes. In sub-sectors where a Member State is not able to schedule such a commitment, justifiable reasons have to be provided.
- Scheduling Mode 3 foreign equity participation targets of 49% for the priority services sub-sectors, 51% for the construction sub-sector, and 30% for the other services sectors.

ASEAN Economic Community (AEC) Blueprint (2008 – 2015)

For the period 2008 onwards up to 2015, ASEAN Member States undertook their liberalisation commitments based on targets and timelines as outlined in the trade in services section of the ASEAN Economic Community (AEC) Blueprint²² as well as any applicable subsequent decisions from the AEM. The Blueprint is a document adopted by ASEAN Heads of State/Government during the 13th ASEAN Summit held on 20 November 2007 in Singapore, which provides for the characteristics and elements of the AEC to be established by 2015 with clear targets and timelines for implementation of various measures, as well as the pre-agreed flexibilities to accommodate the interests of all ASEAN Member States.

ASEAN Economic Community (AEC) Post-2015

The next stage of ASEAN Community Vision 2025 as well as the Blueprints for the AEC 2025, is currently being finalised and will be launched at the 27th ASEAN Summit in November 2015.

²¹ See also [Appendix 2](#) for technical explanations of “None” and Modes of Supply.

²² <http://www.asean.org/archive/5187-10.pdf>

D.3.2. A2 (Free Flow of Services) Section of the ASEAN Economic Community (AEC) Blueprint

Free flow of trade in services is one of the important elements in realising ASEAN Economic Community, where there will be substantially no restriction to ASEAN services suppliers in providing services and in establishing companies across national borders within the region, subject to domestic regulations. Liberalisation of services has been carried out through rounds of negotiation mainly under the Coordinating Committee on Services. Negotiation of some specific services sectors such as financial services and air transport are carried out by their respective Ministerial bodies. In liberalising services, there should be no back-loading of commitments, and pre-agreed flexibility shall be accorded to all ASEAN Member Countries.

In facilitating the free flow of services by 2015, ASEAN is also working towards recognition of professional qualifications with a view to facilitate their movement within the region.

The AEC Blueprint contains the following actions to achieve free flow of services:

- i. Remove substantially all restrictions on trade in services for 4 priority services sectors, air transport, e-ASEAN, healthcare and tourism, by 2010 and the fifth priority services sector, logistics services, by 2013;
- ii. Remove substantially all restrictions on trade in services for all other services sectors by 2015;
- iii. Undertake liberalisation through consecutive rounds of every two years until 2015, i.e. 2008, 2010, 2012, 2014 and 2015;
- iv. Target to schedule minimum numbers of new sub-sectors for each round: 10 sub-sectors in 2008, 15 in 2010, 20 in 2012, 20 in 2014 and 7 in 2015, based on GATS W/120 universe of classification;
- v. Schedule packages of commitments for every round according to the following parameters:
 - No restrictions for Modes 1 and 2, with exceptions due to bona fide regulatory reasons (such as public safety) which are subject to agreement by all Member States on a case-by-case basis;
 - Allow for foreign (ASEAN) equity participation of not less than 51% by 2008, and 70% by 2010 for the 4 priority services sectors; not less than 49% by 2008, 51% by 2010, and 70% by 2013 for logistics services; and not less than 49% by 2008, 51% by 2010, and 70% by 2015 for other services sectors; and
 - Progressively remove other Mode 3 market access limitations by 2015.

- vi. Set the parameters of liberalisation for national treatment limitations, Mode 4 and limitations in the horizontal commitments for each round by 2009;
- vii. Schedule commitments according to agreed parameters for national treatment limitations, Mode 4 and limitations in the horizontal commitments set in 2009;
- viii. Complete the compilation of an inventory of barriers to services by August 2008;
- ix. Allow for overall flexibilities²³, which cover the sub-sectors totally excluded from liberalisation and the sub-sectors in which not all the agreed parameters of liberalisation of the modes of supply are met, in scheduling liberalisation commitments. The scheduling of liberalisation commitments in each round shall be accorded with the following flexibilities:
 - Possibility of catching up in the next round if a Member State is not able to meet the parameters of commitments set for the previous round;
 - Allowing for substitution of sub-sectors that have been agreed to be liberalised in a round but for which a Member State is not able to make commitments, with subsectors outside of the agreed sub-sectors; and
 - Liberalisation through the ASEAN Minus X formula.
- x. Complete mutual recognition arrangements (MRAs) currently under negotiation, i.e. architectural services, accountancy services, surveying qualifications, medical practitioners by 2008, and dental practitioners by 2009;
- xi. Implement the MRAs expeditiously according to the provisions of each respective MRA;
- xii. Identify and develop MRAs for other professional services by 2012, to be completed by 2015; and
- xiii. Strengthen human resource development and capacity building in the area of services.

For the financial services sector²⁴, the AEC Blueprint provides that liberalisation measures of the financial services sector should allow members to ensure orderly financial sector development and maintenance of financial and socio-economic

²³ The modality for overall flexibility of up to 15% was subsequently endorsed at the 41st AEM meeting held on 13-14 August 2009 in Bangkok, Thailand.

²⁴ All measures for the financial services sector will be subject to prudential measures and balance of payment safeguards as provided for under the WTO General Agreement on Trade in Services.

stability. Member States would be guided by the following principles in pacing their liberalisation measures:

- (a) Liberalisation through ASEAN Minus X formula where Member States that are ready to liberalise can proceed first and be joined by others later; and
- (b) The process of liberalisation should take place with due respect for national policy objectives and the level of economic and financial sector development of the individual Member States.

The AEC Blueprint contains the following actions for the liberalisation of financial services:

- i. Progressively liberalise restrictions in sub-sectors or modes as identified by each Member State by 2015; and
- ii. Progressively liberalise restrictions in the remaining sub-sectors or modes, which are not identified under “pre-agreed flexibilities”, by 2020.

D.4. AFAS Liberalisation in Air Transport Services

Liberalisation of air transport services have been undertaken since the beginning of AFAS. Until the realignment of responsibilities as decided by the Informal AEM Meeting in June 1999 (See section D.2. above), the liberalisation commitments made by ASEAN Member States in air transport services were included in the first three AFAS Packages signed by the ASEAN Economic Ministers (see section D.3. above).

To-date, there have been five additional packages of commitments in air transport under AFAS as signed by the ASEAN Transport Ministers²⁵:

- 4th Package, signed on 23 November 2004 in Phnom Penh, Cambodia
- 5th Package, signed on 8 February 2007 in Bangkok, Thailand
- 6th Package, signed on 10 December 2009 in Ha Noi, Viet Nam
- 7th Package, signed on 16 December 2011 in Phnom Penh, Cambodia
- 8th Package, signed on 20 December 2013 in Pakse, Lao PDR

Also to be noted, that beginning from the 7th Package, all the GATS and previous AFAS commitments in air transport services were consolidated into a single comprehensive schedule along with new and improved commitments made under this and subsequent packages.

While not undertaken under the AFAS, other important ASEAN agreements that facilitates the provision of air transport services in ASEAN include the following:

²⁵ These packages, along with other ASEAN agreements on transport and communication are available at <http://www.asean.org/communities/asean-economic-community/category/agreements-and-declarations>.

- ASEAN Memorandum of Understanding on Air Freight Services, signed on 19 September 2002 in Jakarta, Indonesia and its amending Protocol signed on 8 February 2007 in Bangkok, Thailand
- ASEAN Multilateral Agreement on Air Services, also signed on 20 May 2009 in Manila, the Philippines
- ASEAN Multilateral Agreement on the Full Liberalisation of Air Freight Services, signed on 20 May 2009 in Manila, the Philippines
- ASEAN Multilateral Agreement on the Full Liberalisation of Passenger Air Services, signed on 12 November 2010 in Bandar Seri Begawan, Brunei Darussalam
- Implementation Framework of the ASEAN Single Aviation Market (ASAM), adopted on 15 December 2011 in Phnom Penh, Cambodia

D.5. AFAS Liberalisation in Financial Services

The commitments of ASEAN Member States in financial services under the AFAS start to appear in the 2nd Package of Commitments signed by the ASEAN Economic Ministers in 1998. Following the decision realignment of responsibilities as decided by the Informal AEM Meeting in June 1999 (See section D.2. above), succeeding rounds of negotiations on financial services commencing in 2000 were pursued under the ASEAN Finance Ministers' track. Henceforth, subsequent commitments in financial services under AFAS are signed by ASEAN Finance Ministers.

To-date, five (5) additional packages of AFAS commitments in financial services had been signed by the ASEAN Finance Ministers²⁶:

- 2nd Package, signed on 6 April 2002 in Yangon, Myanmar
- 3rd Package, signed on 6 April 2005 in Vientiane, Lao PDR
- 4th Package, signed on 4 April 2008 in Da Nang, Viet Nam
- 5th Package, signed on 4 May 2011 in Ha Noi, Viet Nam
- 6th Package, signed on 20 March 2015 in Kuala Lumpur, Malaysia

It should be noted that the commitments in financial services made earlier under the 2nd AFAS Package signed by the ASEAN Economic Ministers were considered as the 1st Package, hence the numbering of the AFAS Packages signed by the ASEAN Finance Ministers starts from the 2nd Package. Also to be noted, that beginning from the 5th Package, all the GATS and previous AFAS commitments in financial services were consolidated into a single comprehensive schedule along with new and improved commitments made under this and subsequent packages.

An important feature of the latest 6th Package of Commitments on Financial Services under AFAS is the inclusion of provision related **ASEAN Banking Integration**

²⁶ These packages, along with other ASEAN agreements on transport and communication are available at <http://www.asean.org/communities/asean-economic-community/category/agreements-and-declarations>.

Framework (ABIF) conducted by ASEAN Central Bank Governors' process into paragraph 5 of the Protocol to Implement this Package, which states that:

"For the purpose of deepening regional banking integration, in accordance with Article IV bis of the AFAS and guided by the principles and governance of ABIF as approved by the ASEAN Central Bank Governors Meeting (ACGM), two or more Member States may conduct negotiations and agree to liberalise their banking sectors. Notwithstanding Article X of the AFAS that sets a minimum three-year requirement for modification or withdrawal of Schedules of Specific Commitments, each participating Member State may conclude negotiations at any time and shall inscribe its commitments in banking sectors in its respective Consolidated Schedule of Specific Commitments on Financial Services as referred to in paragraph 3. Any extension of preferential treatment in the banking sector to the remaining Member States on an MFN basis shall be voluntary on the part of the participating Member States".

E. Extent of Liberalisation under AFAS

Through each of the succeeding liberalisation packages, ASEAN has made effort to create freer flow of trade and investment in the various services sectors through progressively higher levels of commitments and more certain and predictable rules in all sub-sectors that have been committed.

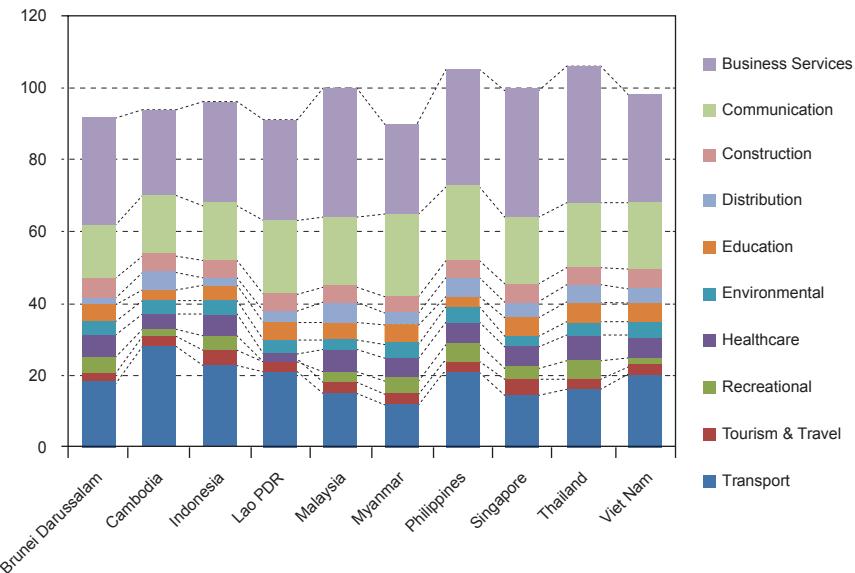
Sectors and subsectors covered include business activities such as:

- Air transport: sales and marketing of air transport services, computer reservation, aircraft repair and maintenance, etc.
- Business services: IT services, accounting, auditing, legal, architecture, engineering, research and development, computer-related services, advertising, etc.
- Construction: construction of commercial buildings, civil engineering, installation works, rental of construction equipment, etc.
- Distribution: commission agent services, wholesale trade, retail trade, etc.
- Education: adult education, primary education, secondary education, etc.
- Environment: sewage, sanitation, noise abatement, nature and landscape protection services, etc.
- Financial services: banking, insurance, capital markets, etc.
- Healthcare: medical and dental services, hospital services, nursing, ambulance, etc.
- Telecommunication: voice telephone services, mobile phone services, business network services, data and message transmission, e-mail, etc.
- Transport: international passenger and freight transport, maintenance and repair of transport equipment, storage and warehousing, freight forwarding, etc.
- Tourism: hotel and lodging services, food serving, tour operator, travel agency, etc.

As of the 9th AFAS Package signed by the ASEAN Economic Ministers (AEM), ASEAN Member States have made commitments to liberalise a wide range of services sectors and subsectors, ranging from 90 to 108 subsectors out of total universe of 128 subsectors under the purview of the AEM²⁷.

²⁷ Please refer to Appendix 3 on the Classification of Services Sectors and Sub-Sectors. Total number of subsectors is 155. Deduct the number of subsectors for financial services and air transport-related services, would result in 128 subsectors.

Chart 7
Subsectors Scheduled by ASEAN Member States under the 9th AFAS Package



Note: Subsectoral coverage does not reflect the level of openness of any sector since that each country may make varying degree of openness in their commitments in the different modes of supply in each services subsector.

Source: ASEAN Secretariat assessment

ASEAN continues to work on further expanding and deepening services liberalisation to cover all sectors and sub-sectors to achieve a free flow of services, subject to flexibility as outlined in the AEC Blueprint.

Services suppliers in ASEAN wishing to seek opportunities to provide cross-border services in another ASEAN Member States should find it increasingly easier to do so over the years. Details of commitments of each ASEAN Member State to open up each services sector and subsector could be found in the latest AFAS Package available at www.asean.org.

F. Movement of Natural Persons and Related Initiatives

Movement of Natural Persons (MNP), otherwise known as “**Mode 4**”, is one of the four ways through which services can be supplied across national borders. MNP refers to supply of services through individual persons who travel from another country on a temporary basis, that is, without the intent to work and migrate permanently. Mode 4 is an integral part of every Package of Commitments made under the AFAS, until the ASEAN Economic Ministers (AEM) signed a stand-alone ASEAN Agreement on MNP in November 2012.

ASEAN has undertaken a number of initiatives to facilitate mobility of people related to cross-border provision of services. It started with Mutual Recognition Arrangements (MRAs), followed by the ASEAN Agreement on MNP, and more recent initiative on ASEAN Qualifications Reference Framework (AQRF).

F.1 Mutual Recognition Arrangement

Mutual Recognition Arrangements (MRAs) is an important initiative in ASEAN integration on trade in services. The MRAs facilitate trade in services by mutual recognition of authorisation, licensing, or certification of professional service suppliers obtained in one ASEAN Member State by other ASEAN Member States. The goal of the MRA is to facilitate the flow of foreign professionals taking into account relevant domestic regulations and market demand conditions.

At the 7th ASEAN Summit held on 5 November 2001 in Bandar Seri Begawan, Brunei Darussalam, ASEAN Heads of States/Governments mandated the start of negotiations on MRAs to facilitate the flow of professional services under AFAS. The ASEAN Coordinating Committee on Services (CCS) established an Ad-hoc Expert Group on MRAs under its Business Services Sectoral Working Group in July 2003 to begin negotiations on MRAs in services. Subsequently, the Healthcare Sectoral Working Group was established in March 2004, which undertook negotiations on MRAs in the healthcare sector under its regular agenda.

MRAs in 7 (seven) professional services have been concluded and signed by the ASEAN Economic Ministers (AEM)²⁸:

- MRA on Engineering Services (9 December 2005 in Kuala Lumpur, Malaysia);
- MRA on Nursing Services (8 December 2006 in Cebu, the Philippines);
- MRA on Architectural Services (19 November 2007 in Singapore);
- Framework Arrangement for the Mutual Recognition of Surveying Qualifications (19 November 2007 in Singapore);

²⁸ <http://www.asean.org/communities/asean-economic-community/category/agreements-declarations-12>

- MRA on Medical Practitioners (26 February 2009 in Cha-am, Thailand);
- MRA on Dental Practitioners (26 February 2009 in Cha-am, Thailand); and
- MRA Framework on Accountancy Services (26 February 2009 in Cha-am, Thailand), subsequently amended as MRA on Accountancy Services (13 November 2014, Nay Pyi Taw, Myanmar).

In addition, there is also an ASEAN Mutual Recognition Arrangement on Tourism Professionals signed by the ASEAN Tourism Ministers on 9 November 2012 in Bangkok, Thailand²⁹. These MRAs are currently in various stages of implementation and follow-up initiatives.

F.1.1 MRAs under the Business Services Sectoral Working Group

The implementation of the MRAs on engineering, architecture, accountancy, and surveying, while being implemented by their respective Coordinating Committees as stipulated in the MRAs, are overseen and coordinated by the ***Business Services Sectoral Working Group (BSSWG)*** under the ASEAN Coordinating Committee on Services (CCS).

MRA on Engineering Services

The MRA on Engineering Services is the first services MRA established under the CCS. It works towards an ASEAN-wide registration system which allows registered ***Professional Engineers (PE)*** in an ASEAN Member State to be certified as ***ASEAN Chartered Professional Engineers (ACPE)*** and finally work as ***Registered Foreign Professional Engineers (RFPE)*** in other ASEAN Member State in collaboration with designated Professional Engineers in the Host Country.

The administration of the MRA at ASEAN level is undertaken by ***ASEAN Chartered Professional Engineer Coordinating Committee (ACPECC)***. The chairmanship of ACPECC rotates among Member States every two year. The ACPECC has a permanent secretariat located in Jakarta, and is operated by Indonesia's PRA. The ACPECC secretariat also manages the ACPECC website: www.acpecc.net

All ASEAN Member States have officially participated in the MRA, have established the required institutions and completed the procedures to implement the ACPE certifications. As of October 2015, there had been 1,483 ACPEs registered from 9 Member States, and 6 of the ACPEs had been registered as RFPEs.

²⁹ http://www.asean.org/images/2013/economic/matl/MRA_Tourism_Professionals_bw.pdf

MRA on Architecture Services

The MRA works towards an ASEAN-wide registration system which allows registered Architects in an ASEAN Member State to be certified as **ASEAN Architects (AA)** and finally work as **Registered Foreign Architects (RFA)** in other ASEAN Member States, either in independent practice or in collaboration with one or more licensed Architects of the Host Country.

The administration of the MRA at ASEAN level is undertaken by **ASEAN Architect Council (AAC)**. The chairmanship and Secretariat of AAC rotate among Member States every two year. The AAC secretariat also manages the AAC website: www.aseanarchitectcouncil.org

All Member States have officially participated in the MRA, have established the required institutions and completed the procedures to implement the AA certifications. As of October 2015, there had been 284 AA registered from 9 Member States.

MRA on Accountancy Services

The MRA on Accountancy Services was first signed in February 2009 in the form of MRA framework to encourage ASEAN Member States who are ready, to enter into bilateral or multilateral negotiations on MRAs on Accountancy Services. Subsequently, an amended ASEAN MRA on Accountancy Services was signed by ASEAN Economic Ministers (AEM) on 13 November 2014 in Nay Pyi Taw, Myanmar. The MRA now applies to all ASEAN Member States for accountancy-related services except for signing off of the independent auditor's report and other accountancy services that requires domestic licensing in ASEAN Member States.

The MRA works towards an ASEAN-wide registration system which allows registered **Professional Accountant (PA)** in an ASEAN Member State to be certified as **ASEAN Chartered Professional Accountant (ACPA)** and finally work as **Registered Foreign Professional Accountant (RFPA)** in other ASEAN Member States.

The administration of the MRA at ASEAN level is undertaken by **ASEAN Chartered Professional Accountant Coordinating Committee (ACPACC)**. It commenced its meeting in October 2015 following the completion of establishment of **Monitoring Committees (MCs)** of all ASEAN Member States.

MRA on Surveying Services

The MRA provides a framework to facilitate ASEAN Member States who are ready to enter into bilateral or plurilateral negotiations of MRAs on

surveying qualifications among them as well as to promote the exchange of information, expertise, and best practices suited to their specific needs.

The Competent Authorities of the Framework MRA on Surveying Qualifications currently meets regularly to discuss the practice of each basic element for recognising Surveying Qualifications across ASEAN with a view to identify the possibility to initiate the bilateral or plurilateral MRA among them, as well as possibility to have ASEAN-wide MRA. No bilateral nor plurilateral MRA established so far.

F.1.2 MRAs under the Healthcare Services Sectoral Working Group

The implementation of the MRAs on nursing, medical practitioner, and dental practitioner, are undertaken by their respective **ASEAN Joint Coordinating Committees (AJCCs)** as stipulated in the MRAs, which are overseen and coordinated by the **Healthcare Services Sectoral Working Group (HSSWG)** under the ASEAN Coordinating Committee on Services (CCS). The three AJCCs are:

- ASEAN Joint Coordinating Committee on Medical Practitioners (AJCCM)
- ASEAN Joint Coordinating Committee on Nursing (AJCCN)
- ASEAN Joint Coordinating Committee on Dental Practitioners (AJCCD)

The objectives of these three (3) healthcare-related MRAs are to:

- facilitate mobility of professionals within ASEAN;
- exchange information and enhance cooperation in respect of mutual recognition of these professionals;
- promote adoption of best practices on standards and qualifications; and
- provide opportunities for capacity building and training.

In line with the objectives of these MRAs, works being undertaken by the AJCCs are to:

- Exchange information with regards to laws, practices and developments in the healthcare practice;
- Exchange information with regards to procedures for registration and licensing of domestic and foreign practitioners in each ASEAN Member State;
- Discuss required qualifications;
- Identify and undertake exchange programs;
- Identify potentials areas to facilitate further mobility; and
- Review the MRAs as mandate.

MRAs in the healthcare services do not adopt ASEAN-wide registration system unlike those under the business services. Appropriate form of mobility of healthcare practitioners continued to be explored taking into account patient safety as the paramount consideration. Information on the procedures for registration and licensing of foreign practitioners in each ASEAN Member State has been shared to facilitate registration and licensing of healthcare professionals in ASEAN.

Further information, including available information on the procedures for registration and licensing of foreign practitioners in each ASEAN Member State, is available at the ASEAN healthcare services website at <http://www.asean.org/communities/asean-economic-community/category/healthcare-services>

F.1.3 MRA on Tourism Professionals

The ASEAN MRA on Tourism Professionals facilitates mobility of tourism professionals in ASEAN through agreement on the equivalence of tourism certification procedures and qualifications across ASEAN.

An ASEAN tourism professional may be recognised by other ASEAN Member States and be eligible to work in a host country, provided that he/she possesses a valid tourism competency certificate in a specific tourism job title specified in the **ASEAN Common Competency Standards for Tourism Professionals (ACCSTP)**, issued by the **Tourism Professional Certification Board (TPCB)** in an ASEAN Member State. The eligibility to work in a host country will be subjected to prevailing domestic laws and regulations of the host country. The overall implementation of MRA is overseen by the **ASEAN Tourism Professional Monitoring Committee (ATPMC)**.

At present, there are six areas where ASEAN tourism professionals may find employment in other ASEAN Member States: Front Office, Housekeeping, Food Production, Food and Beverage Services (for Hotel Services), Travel Agency, and Tour Operations. In delivering this programme, there are 242 toolboxes that will be developed within 2015. Each toolbox contains: competency standards, trainee manual, trainer manual, assessor manual, third party statement, observation checklist, evaluation materials and sample unit including trainee notes and PowerPoint slides.

In maintaining quality assurance for those workers receiving certificates, an **ASEAN Tourism Professionals Registration System (ATPRS)** is being developed to facilitate registration process of those workers possessing the ASEAN certificates so as to well document all necessary information. The ATPRS is expected to be complete in December 2015. To promote implementation of the MRA, a Regional Secretariat will be established to

support operations and management as well as implementation of related projects and activities.

Further details on the mechanisms and requirements instituted by the MRA are explained in the Handbook of ASEAN MRA on Tourism Professional³⁰.

F.2 ASEAN Agreement on Movement of Natural Persons

The **ASEAN Agreement on Movement of Natural Persons (MNP)**³¹ was signed by ASEAN Economic Ministers (AEM) on 19 November 2012 in Phnom Penh, Cambodia. It is intended as a legal framework to work towards elimination of substantially all restrictions in the temporary cross-border movement of natural persons involved in the provision of trade in goods, trade in services and investment. It is also intended to be the mechanism to further liberalise and facilitate movement of natural persons towards free flow of skilled labour in ASEAN through close cooperation among related ASEAN bodies in the areas, including trade in goods, trade in services, investment, immigration, and labour.

The objectives of MNP Agreement are to:

- Provide rights and obligations in relation to the MNP as set out in ASEAN Framework Agreement on Services (AFAS).
- Facilitate the movement of natural persons engaged in the conduct of trade: in goods, trade in services and investment.
- Establish streamlined and transparent procedures for immigration applications.
- Protect the integrity of Member States' borders and protect the domestic labour force and permanent employment in the territories of Member States.

It needs to be noted that MNP only deals with the temporary movement of natural persons to other countries to provide services. It does not cover cross-border entry by natural persons for the purpose of permanent employment nor permanent migration (such as for permanent residency or citizenship). MNP only covers those types of service suppliers inscribed in the Schedule of Commitment and therefore not all types of persons (such as unskilled labour) are covered by the MNP Agreement.

The scope of MNP Agreement applies to **Business Visitors (BV)**, **Intra-Corporate Transferees (ICT)**, and **Contractual Service Suppliers (CSS)** as defined in the Agreement.

The Schedules of Commitments³² of ASEAN Member States in this MNP Agreement is annexed to this Agreement and were endorsed by the Ministers

³⁰ http://www.asean.org/images/2013/economic/handbook%20mra%20tourism_opt.pdf

³¹ http://www.asean.org/images/2012/Economic/sectoral_aem/service/agreement/ASEAN%20AGREEMENT%20ON%20THE%20MOVEMENT%20OF%20NATURAL%20PERSONS.pdf

³² Available individually at the MNP section of <http://www.asean.org/communities/asean-economic-community/category/agreements-declarations-12>

during the 9th ASEAN Economic Community (AEC) Council held on 10 April 2013 in Brunei Darussalam.

Upon entry into force of this agreement, Mode 4 commitments made by Member States under the previous AFAS packages, including those signed by the AEM, ASEAN Finance Ministers (AFMM), and ASEAN Transport Ministers (ATM), will be superseded by the Schedule of Commitments of Member States under this MNP Agreement, and will be subject to review within one year after its entry into force.

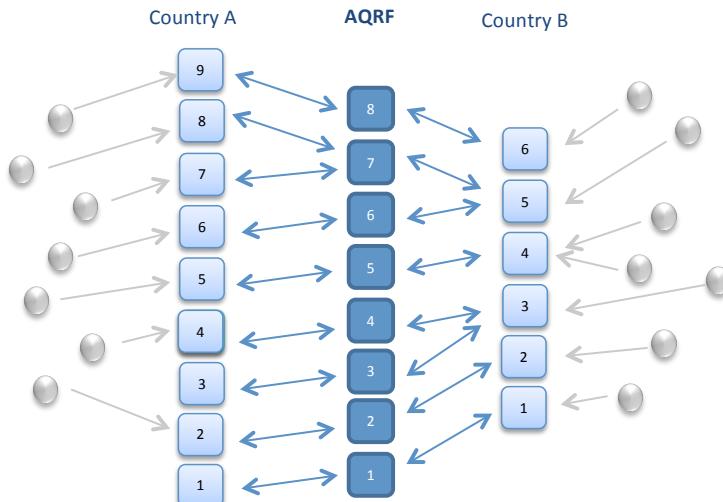
F.3 ASEAN Qualifications Reference Framework (AQRF)

The most recent development in ASEAN's effort to promote education and mobility of learner and worker is the **ASEAN Qualification Reference Framework (AQRF)**. The AQRF had been endorsed by ASEAN Economic Ministers in August 2014, by ASEAN Education Ministers in September 2014, and ad-referendum endorsement by ASEAN Labour Ministers completed in May 2015.

AQRF is a common reference to enable comparisons of qualifications across ASEAN Member States. It covers all education and training sectors. It consists of 8 levels of complexity of learning outcomes based on (a) knowledge and skills, and (b) application and responsibility.

Through the AQRF, ASEAN Member States would be able to undertake **Referencing**, which is a process to establish the relationship between the eight levels on the AQRF with the levels on their NQF or qualifications system.

Diagram 1
Referencing Process under the AQRF



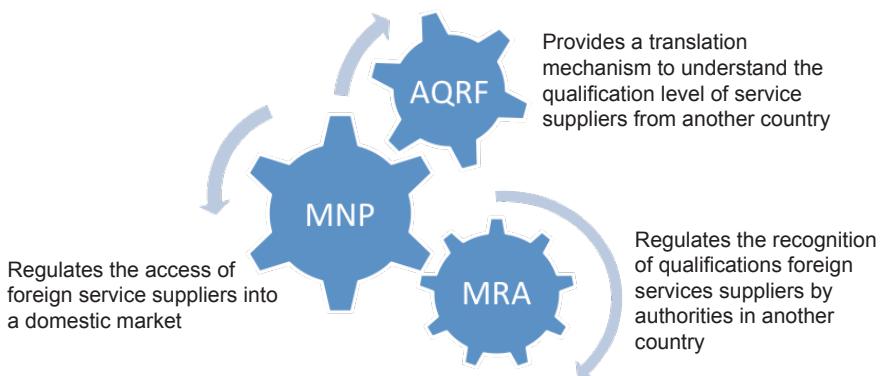
For example, an engineer from Country A who holds a certain qualification from his/her country's qualification framework is going to work in Country B. AQRF will translate such level of qualification into an equivalent level in the national qualification framework of Country B.

AQRF is based on agreed understanding between Member States and, by design, has a neutral influence on national qualifications frameworks (NQFs) of ASEAN Member States. It invites voluntary engagement from countries and does not require changes to national qualifications systems.

AQRF supports and enhances each country's NQF while providing a mechanism to facilitate comparison, transparency and higher quality qualifications systems. It is underpinned by agreed quality assurance principles and standards, and requires countries to describe their education and training quality assurance systems.

Work is on-going to finalise the implementation and governance arrangements for the AQRF.

Diagram 2
Conceptual Linkages of MRA, MNP and AQRF





G. ASEAN Free Trade Agreements involving Trade in Services

ASEAN is not only active in integrating its economy among its Member States, but also looks beyond its region to actively engage in negotiations on Free Trade Area (FTA) and/or **Comprehensive Economic Partnership (CEP)** agreements with an increasing number of its Dialogue Partners. The liberalisation of the services sector has always been an important feature of these negotiations.

The first concluded services agreement under an FTA between ASEAN and a Dialogue Partner is the **Agreement on Trade in Services of the Framework Agreement on Comprehensive Economic Co-operation between ASEAN and the People's Republic of China**³³, signed by ASEAN Economic Ministers and Minister of Commerce of China on 17 January 2007 in Cebu, the Philippines. The market access commitments of the Parties to this Agreement are contained in the First Package of Specific Schedule of Commitments attached to the Agreement. The second package of commitments under this FTA had been subsequently concluded and signed by the Ministers on 16 November 2011 in Bali, Indonesia.

This was followed by the conclusion and signing of the **Agreement on Trade in Services under the Framework Agreement on Comprehensive Economic Cooperation among the Governments of the Member Countries of ASEAN and the Republic of Korea**³⁴ on 21 November 2007 in Singapore. The Agreement includes an Annex on Financial Services and a Letter of Understanding that clarifies the understanding of some paragraphs under the Agreement. The schedules of specific commitments for the first package of commitments are annexed to this Agreement.

The next one is the **Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area**³⁵ which was signed on 27 February 2009 in Cha-am, Thailand. This is a comprehensive FTA agreement covering trade in goods, trade in services, investment, e-commerce, and various other areas. With respect to trade in services, the Agreement also contains an additional chapter on Movement of Natural Persons (MNP) and annexes on financial services and telecommunications. There are 2 separate schedules of commitments: one on specific services commitments and the other one on Movement of Natural Persons (MNP).

³³ <http://www.asean.org/images/archive/21627.pdf>

³⁴ <http://www.asean.org/images/archive/21111.pdf>

³⁵ <http://www.asean.org/images/archive/22260.pdf>

The latest completed services FTA is the *Agreement on Trade in Services under the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and the Republic of India*³⁶ which was signed on 13 November 2014 in Nay Pyi Taw, Myanmar. The Agreement includes an Annex on Movement of Natural Persons (MNP). The schedules of specific commitments are annexed to this Agreement.

ASEAN is currently close to completion of negotiation on trade in services with Japan, expected to be concluded in 2015.

ASEAN is also engaging in negotiations with all of these existing FTA partners (Australia, China, India, Japan, Korea, and New Zealand) through the *Regional Economic Comprehensive Partnership (RCEP)* which covers wide range of areas including trade in goods, trade in services, and investment. The RCEP negotiation was launched by the Leaders of ASEAN and these 6 FTA Partners on 20 November 2012 in Phnom Penh, Cambodia³⁷.

ASEAN is also currently negotiating for ASEAN-Hong Kong FTA and Upgrading of ASEAN-China FTA, expected to be concluded in 2016.

The Agreement includes an Annex on Financial Services and a Letter of Understanding that clarifies the interpretations of some paragraphs under the Agreement. In addition, the Agreement also incorporates the GATS Annex on Telecommunications.

³⁶ http://www.asean.org/images/pdf/2014_upload/reducedASEAN-India%20Trade%20in%20Services%20Agreement%20-%20Scanned%20ASEAN%20version%20copy.pdf

³⁷ <http://www.asean.org/images/2012/documents/Joint%20Declaration%20on%20the%20Launch%20of%20Negotiations%20for%20the%20Regional%20Comprehensive%20Economic%20Partnership.pdf>

H. Moving Forward

ASEAN has come a long way in its effort to integrate services sectors in the region, likewise the other ASEAN economic integration initiatives. The achievements in multiple areas highlighted above show significant progress of economic policies in each ASEAN Member States since the conception of AFAS in 1995, and this reflects tremendous effort of ASEAN Member States, individually and collectively.

Towards this end, further works to integrate ASEAN economy as well as trade and investment in services sector remain critical. A number of actions and targets outlined in the AEC Blueprint 2015 require more time for some ASEAN Member States to fulfil. On the other hand, ASEAN also need to move on and chart its way to the next level of ASEAN economic integration beyond the AEC 2015, embracing new challenges and opportunities poised by the ever-changing dynamics of economic and technological developments in the region and beyond.

In this area of trade in services, ASEAN is now working on the **ASEAN Trade in Services Agreement (ATISA)** which shall built-upon and enhances the existing ASEAN services agreements, not only AFAS but also those signed with ASEAN's dialogue partners. ATISA shall be forward looking and considers best practices as well as new and related trade in services topics.

The reality of practical works to facilitate a more integrated trade in services environment is challenging indeed, taking into account not only the diversity in economic development entrenched in the region but also the diversity of regulatory systems and standards, the myriad types of services activities, and the wide range of government agencies, regulators and stakeholders involved.

Given the rapid pace of integration of ASEAN economies into the global trading system and the intensifying pace of FTA/CEP negotiations and implementation with ASEAN's Dialogue Partners, ASEAN shall continue to expedite its work towards a higher degree of integration and cooperation in the area of trade in services among its Member States. Close cooperation between all stakeholders (business communities, governments, academia, and civil society) will play a critical role in this endeavour.

Appendix 1: Inquiries and Contact Points

National contact points of ASEAN Member States are provided as follows:

BRUNEI DARUSSALAM

Department of International Trade
Ministry of Foreign Affairs & Trade
ICC, JLN Pulaie, BB 3910
Brunei Darussalam
Tel: (673) 2383374
Fax: (673) 2384099
Email: ccs.brunei@mfa.gov.bn

CAMBODIA

Ministry of Commerce
Multilateral Trade Department
Lot. 19 - 61, MOC Road,
Sangkat Teuk Thla, Khan Sen Sok,
Phnom Penh, Cambodia
Tel : 855 16 468 988/ 855 12 928 287
Fax : 855 23 866 389
Email : ccscambodia2013@yahoo.com

INDONESIA

Direktorat of Trade in Services Negotiation
Ministry of Trade
Jalan M.I. Ridwan Rais No.5
1st Building, 4th Floor, Jakarta, Indonesia
Tel: (6221) 345 2621
Fax: (6221) 345 2621
Email: ccsindonesia@kemendag.go.id

LAO PDR

Investment Promotion Department
Ministry for Planning and Investment
01001 Souphanouvong Road, Vientiane Capital
Tel: (856 21) 218377 / 222690
Fax: (856 21) 215491
Email: ccslaos@yahoo.com

MYANMAR

Ministry of Transport
Building No. 5 Nay Pyi Taw, Myanmar
Tel: (9567) 411418
Fax: (9567) 411418
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PHILIPPINES

Trade, Services and Industry Staff
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Fax: (632) 631 3734
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SINGAPORE

Ministry of Trade and Industry
100, High St. The Treasury
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THAILAND

Department of Trade Negotiations
Ministry of Commerce
44/100 Nonthaburi 1 Rd.
Nonthaburi 11000
Bangkok, Thailand
Tel: (662) 507 7477
Fax: (662) 547 5622
Email: dtn.bts@gmail.com mailto:ccsvietnam@mpi.gov.vn

MALAYSIA

ASEAN Economic Cooperation Division
Ministry of International Trade & Industry
Level 13, Block 8, Government Offices Complex
Jalan Duta, 50622 Kuala Lumpur
Tel: (603) 6200 0559
Fax: (603) 6201 9799
Email: allasean@miti.gov.my

VIET NAM

Services Sector Department
Ministry of Planning and Investment
6B Hoang Dieu, Hanoi, Vietnam
Tel: (844) 804 3821
Fax: (844) 804 4934
Email: ccsvietnam@mpi.gov.vn

Inquiries can also be addressed to:

Services and Investment Division
Market Integration Directorate
ASEAN Economic Community Department
The ASEAN Secretariat
Jl. Sisingamangaraja 70A
Jakarta 12110, Indonesia
Tel: (6221) 7262991
Fax: (6221) 7398234
E-mail: services@asean.org

Appendix 2 : Some Basic Concepts and Terms in Trade in Services

Defining “Trade in Services”: the 4 Modes of Supply

In its most basic form, international trade refers to an economic exchange between residents and non-residents, either firms or persons, and imply gain or loss of foreign exchange. For trade in goods, the concept is relatively straightforward because the producers stay in one country and the goods produced travel across a border to the consumers in another country.

For services, the situation is more complex because in many cases the supplier and the customer need to be in the same location. There are four possibilities of international provision of services:

- the service moves across the border
- the customer moves across the border to receive the service
- the producer moves across the border to provide the service through commercial establishment
- the producer moves across the border only temporarily to provide the service

These four possibilities are known as “**Modes of Supply**” of services trade. They are referred to as Mode 1 (or the so-called **Cross-Border Supply**), Mode 2 (**Consumption Abroad**), Mode 3 (**Commercial Presence**), and Mode 4 (**Movement of Natural Persons**), respectively.

Basic Principles of Services Liberalisation

Following the conclusion of the Uruguay Round in 1994 resulting in the first-ever multilateral services trade agreement, the General Agreement on Trade in Services (GATS), it is generally accepted that the key obligations governing liberalisation of international trade in services shall include the following:

- **Transparency:** Countries must notify each other of all relevant measures affecting services trade, including prompt publication, maintenance of enquiry points, and fair judicial review.
- **Most-Favoured-Nation (MFN):** Countries must grant each other the most-favourable treatment accorded to any of their trading partners.
- **Non-Discrimination:** Countries must treat services and services suppliers from one Country no less favourably than those from other Countries.

- **Market Access:** In terms of access to the market of a Country, services and services suppliers of any other Countries must be accorded the same treatment specified in its schedule of commitments.
- **National Treatment:** Services and services suppliers of a Country must be permitted access to the market of another Country on the same terms as those accorded to domestic services or services providers.
- **Progressive Liberalisation:** Countries shall enter into successive rounds of negotiations, with a view to achieving a progressively higher level of liberalisation.

Understanding Schedule of Services Commitments

In a GATS-based services liberalisation approach, including in AFAS, a Country's **schedule of commitments** to liberalise its services sectors comprise the following set of documents:

- **Horizontal Commitments:** specifies a Country's commitments which are common and bound across all scheduled services sectors, unless otherwise specified.
- **Schedule of Specific Commitments:** specifies the details of a Country's commitments in the scheduled services sectors and sub-sectors.
- **List of MFN Exemptions:** specifies the details of cases where MFN obligations of a Country are exempted. Such exemptions, however, shall be subject to requirements stipulated in Article II of the GATS on MFN.

Both the horizontal commitments and schedule of specific commitments take the following format:

Sector/Sub-Sector	Market Access (MA) Commitments	National Treatment (NT) Commitments	Additional Commitments
Name of sector/ sub-sector ³⁸	Details of Mode 1 MA Limitations	Details of Mode 1 NT Limitations	Details of Additional Commitments (if any)
	Details of Mode 2 MA Limitations	Details of Mode 2 NT Limitations	
	Details of Mode 3 MA Limitations	Details of Mode 3 NT Limitations	
	Details of Mode 4 MA Limitations	Details of Mode 4 NT Limitations	

As for the specified details of limitations for each mode of supply, the following terms are widely used:

- **None:** it means that the Country does not limit market access or national treatment in the given sector/sub-sector and mode of supply, other than those prescribed in the horizontal commitments (if any).

³⁸ Typically listed as "All sectors" in Horizontal Commitment.

- **Unbound:** it means the Country is not “bound” to any commitment and remains free in the given sector/sub-sector and mode of supply to introduce or maintain measures inconsistent with market access or national treatment³⁹.
- **Unbound:** or **Unbound due to Technical Feasibility:** the supply of given services sector/sub-sector may not be technically feasible for this mode of supply.⁴⁰

The List of MFN exemptions is detailed using the following format:

Sector/ Sub-Sector	Description of Measure	Countries to which the Measure Applies	Intended Duration	Conditions Creating the Need for the Exemption
Name of sector/ sub-sector	Detail descriptions of measure inconsistent with MFN provisions	List of Countries to which the measure applies	Intended duration of the MFN exemption	Details of reasons/condi tions creating the need for the exemption

Illustrative example of a typical schedule of horizontal commitments:

Modes of Supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence 4) Presence of natural person

Sector or Subsector	Limitations on Market Access	Limitation on National Treatment	Additional Commitments
I. HORIZONTAL COMMITMENTS			
ALL SECTORS INCLUDED IN THIS SCHEDULE UNLESS OTHERWISE INDICATED	1) None 2) None 3) None, except: Mergers and Acquisitions: Mergers and Acquisitions require approval from the relevant authorities. Board of Directors: At least 50 percent of the Board of Directors must be resident. 4) Unbound, except intra-corporate transferees.	1) None 2) None 3) None, except: Land Property: Foreign enterprises are allowed to own up to 5 percent of the land property. Corporate Tax: Additional 2 percent corporate tax applicable to enterprise with up to 60 percent foreign equity. 4) Unbound, except indicated in the Schedule of Specific Commitments	1), 2), 3) and 4) refer to modes of services supply
Limitations in horizontal schedule of commitments normally apply to all sectors and sub- sectors scheduled in the Schedule of Specific Commitments			National Treatment limitations applicable to Mode 3 of all sub-sectors

³⁹ This case is only relevant where a commitment has been made in a sector with respect to at least one mode of supply. Where all modes of supply are “unbound”, and no additional commitments have been undertaken in the sector, the sector should not appear on the schedule.

⁴⁰ Where the mode of supply thought to be inapplicable is in fact applicable, or becomes so in the future, the entry means “unbound”.

Illustrative example a list of MFN Exemptions:

Sector or Subsector	Description of measure indicating its inconsistency with Article II	Countries to which the measure applies	Additional Commitments	Conditions creating the need for exemption
All Sectors	The Member reserves the right to adopt or maintain any measures in future that accords differential treatment to countries.	All countries	Indefinite	The measures will be applied in a manner that is aligned with national development policies to maximise and maintain a healthy market competition environment.

Illustrative example of a schedule of specific commitments:

Modes of Supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence 4) Presence of natural person

Sector or Subsector	Limitations on Market Access	Limitation on National Treatment	Additional Commitments
BUSINESS SERVICES			
A. Professional Services			
Accounting, Auditing and Book-keeping Services (CPC 862)	1) None 2) None 3) None, except indicated in Schedule of Horizontal Commitments 4) Unbound, except indicated in Schedule of Horizontal Commitments	1) None 2) None 3) None, except indicated in Schedule of Horizontal Commitments 4) Unbound, except indicated in the Schedule of Specific Commitments	4) Qualifying examination to test the competence and ability to supply the services and registration with relevant professional agencies apply.
Step 1: Cross-check with Schedule of Horizontal Commitments and list of MFN Exemptions Step 2: Identify the limitations on Market Access and National Treatment on each Mode of Supply in the Schedule of Horizontal Commitments (if any) Step 3: Consolidate the limitations on Market Access and National Treatment on the Schedule of Horizontal Commitments with this Specific Schedule			

Appendix 3 : Classification of Services Sectors and Sub-Sectors

The universally recognised and adopted classification of services sectors and sub-sectors is the one based on WTO Secretariat's **Services Sectoral Classification List**.⁴¹ Each sector contained in this list is identified by a corresponding Central Product Classification (CPC) number.⁴² If a Member State wishes to use its own sub-sectoral classification or definitions it should provide concordance with the CPC. If this is not possible, it should give a sufficiently detailed definition to avoid any ambiguity as to the scope of the commitment.

While the CPC coding had been updated a number of times to keep up with economic development and technology advancement, for the purposes of services trade negotiations, the so-called **Provisional CPC** published in 1990⁴³ remains the major reference point for classification of services sectors/sub-sectors.

Broad categories of services sectors provided in WTO Secretariat's Services Sectoral Classification List are as follows:

- Business Services
 - Professional Services
 - Computer-Related Services
 - Research and Development Services
 - Real Estate Services
 - Rental/Leasing Services without Operators
 - Other Business Services
- Communication Services
 - Postal Services
 - Courier Services
 - Telecommunication Services
 - Audio-Visual Services
- Construction and Related Engineering Services
- Distribution Services

⁴¹ This list is contained in the WTO document coded MTN.GNS/W/120, dated 10 July 1991.

⁴² CPC is a complete product classification covering goods and services published by the United Nations, and was intended to serve as an international standard for assembling and tabulating all kinds of data requiring product detail including industrial production, national accounts, service industries, domestic and foreign commodity trade, international trade in services, balance of payments, consumption and price statistics. Other basic aims were to provide a framework for international comparison and promote harmonisation of various types of statistics dealing with goods and services.

⁴³ Statistical Papers Series M No.77, Provisional Central Product Classification, Department of International Economic and Social Affairs, Statistical Office of the United Nations, New York, 1991.

- Education Services
- Environmental Services
- Financial Services
 - Insurance and insurance-related services
 - Banking and other financial services
- Health-Related and Social Services
- Tourism and Travel-Related Services
- Recreational, Cultural and Sporting Services
 - Entertainment services
 - News agency services
 - Libraries, archives, museums and other cultural services
 - Sporting and other recreational services
- Transport Services
 - Maritime Transport Services
 - Inland Water Transport Services
 - Air Transport Services
 - Space Transport
 - Rail Transport Services
 - Road Transport Services
 - Pipeline Transport
 - Services Auxiliary to All Modes of Transport
- Other Services not Included Elsewhere

Detail listing of services sectors and sub-sectors contained in the WTO Secretariat's Services Sectoral Classification List can be downloaded from:

[www.wto.org/english/tratop_e/serv_e/mtn_gns_w_120_e.doc.](http://www.wto.org/english/tratop_e/serv_e/mtn_gns_w_120_e.doc)

Detail structure and explanatory notes for each of the provisional CPC codes can be found at: <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=9&Lg=1>.

Appendix 4: Glossary

AAC	ASEAN Architect Council
ABIF	ASEAN Banking Integration Framework
ACCSTP	ASEAN Common Competency Standards for Tourism Professionals
ACIA	ASEAN Comprehensive Investment Agreement
ACPACC	ASEAN Chartered Professional Accountant Coordinating Committee
ACPECC	ASEAN Chartered Professional Engineer Coordinating Committee
AEC	ASEAN Economic Community
AEM	ASEAN Economic Ministers
AFAS	ASEAN Framework Agreement on Services
AFCDM	ASEAN Finance and Central Bank Deputies Meeting
AFMGM	ASEAN Finance Minister and Central Bank Governors Meeting
AFTA	ASEAN Free Trade Area
AIA	ASEAN Investment Area
AJCCD	ASEAN Joint Coordinating Committee on Dental Practitioners
AJCCM	ASEAN Joint Coordinating Committee on Medical Practitioners
AJCCN	ASEAN Joint Coordinating Committee on Nursing
AQRF	ASEAN Qualifications Reference Framework
ASEAN	Association of Southeast Asian Nations
ATISA	ASEAN Trade in Services Agreement
ATM	ASEAN Transport Ministers
ATPMC	ASEAN Tourism Professional Monitoring Committee
ATSN	Air Transport Sectoral Negotiations
ATWG	Air Transport Working Group
BSSWG	Business Services Sectoral Working Group
CCI	Coordinating Committee on Investment

CCS	Coordinating Committee on Services
CEP	Comprehensive Economic Partnership
CEPT	Common Effective Preferential Tariff
CPC	Central Product Classification
DDA	Doha Development Agenda
FDI	Foreign Direct Investment
FTA	Free Trade Area
GATS	General Agreement to Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
HLTF	High Level Task Force on ASEAN Economic Integration
HSSWG	Healthcare Services Sectoral Working Group
ICT	Information and Communication Technology
MFN	Most Favoured Nation
MNP	Movement of Natural Persons
MRA	Mutual Recognition Arrangement
RCEP	Regional Comprehensive Economic Partnership
SEOM	Senior Economic Officials Meeting
STOM	Senior Transport Officials Meeting
VAP	Vientiane Action Programme
WC-FSL	Working Committee on ASEAN Financial Services Liberalisation under the AFAS
WTO	World Trade Organisation



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